

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 GSA-02 INT-08 COME-00 L-03 OMB-01

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 SPC-03

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R 232010Z NOV 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1566

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E.O. 11652: N/A

TAGS: EMIN BL

SUBJ: TIN CONSULTATIONS

REF: A. STATE 228961

B. STATE 228338

1. WE WERE SURPRISED THAT TIN CONSULTATIONS WITH BOLIVIA WERE CONDUCTED ON NOV. 20 BEFORE THE COTTON CONTRACTS PROBLEM WAS SETTLED. OUR WORRY IS THAT THE BOLIVIAN REACTION TO THE TIN SALES PROGRAM COULD UPSET NEGOTIATIONS FOR A COMPROMISE ON THE COTTON CONTRACTS AND ALSO COULD PRODUCE A MORE ADVERSE REACTION TO THE TIN SALES PROGRAM. WE HAVE NO INDICATION YET OF GOB REACTION TO THE CONSULTATIONS NOR EVIDENCE THAT THE COTTON AND TIN MATTERS HAVE BEEN OR WILL BE LINKED BY BOLIVIA.

2. WE HAVE SOME QUESTIONS ABOUT THE PROGRAM AS DESCRIBED IN STATE 228338 TO WHICH WE WOULD APPRECIATE ANSWERS SO AS TO BE ABLE TO DEAL EFFECTIVELY WITH ANY OFFICIAL INQUIRIES.

A. HAS A TIME BEEN SET FOR PRODUCERS' REPLIES TO THE CONSULTATIONS?

B. CAN WASHINGTON ARRANGE THAT THE PUBLIC ANNOUNCEMENT OF THE NEW PROGRAM NOT OCCUR UNTIL THE COTTON CONTRACTS PROBLEM IS RESOLVED?

C. WILL THE 12,000 TONS TO BE SOLD UNDER LONG-TERM CONTRACT

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BE NEGOTIATED IN ITS TOTALITY IN A BRIEF PERIOD AT THE

BEGINNING OF THE YEAR OR WILL THE CONTRACT NEGOTIATIONS
BE SPREAD OUT OVER A PERIOD OF TIME TO LESSEN THEIR IMPACT
ON THE MARKET?

D. WILL THE LAGGING PRICE FEATURE, PARA 2(C) OF STATE
228338 APPLY TO THE PRICES FOR LONG-TERM CONTRACT
DELIVERIES OR JUST TO DAILY SALES?

E. IF LAGGING PRICE FEATURE DOES APPLY TO LONG-TERM
CONTRACT DELIVERIES, WILL BUYER BE OBLIGATED TO PURCHASE
IN DECLINING MARKET? WILL BUYER BE OBLIGATED TO PURCHASE
CONTRACT AMOUNT OR MAY HE FOREGO PORTION OF CONTRACT?

F. HOW CAN WE EXPLAIN THAT LONG-TERM PROGRAM IS "ALONG
SAME LINES AS PRESENT INTERIM PROGRAM" WHEN NEW
FEATURE OF LONG-TERM CONTRACTS CONSTITUTES TWO-THIRDS
OF OUR SALES OBJECTIVE FOR THE YEAR?

G. WOULD IT BE POSSIBLE TO LOWER THE AMOUNT TO BE SOLD ON
THE LONG-TERM CONTRACT AND RAISE THE AMOUNT TO BE SOLD
UNDER DAILY SALES SO THAT THE ARGUMENT THAT THERE IS A
CONTINUATION OF THE INTERIM PROGRAM WOULD BE MORE
ACCEPTABLE?

3. OUR CONCERN IS THAT LONG-TERM SALES PROGRAM MAY RESULT IN
SINGLE NEGOTIATION OF 12,000 TONS AT BEGINNING OF THE YEAR
WITH AN IMMEDIATE DOWNWARD IMPACT ON PRICES AND NO SAFEGUARDS
ON PRICES FOR THOSE DELIVERIES. THAT WHICH IS A CONTINUATION
OF THE INTERIM PROGRAM, THE DAILY SALES OVER 100 TONS WEEKLY,
WILL BE THE MINOR PART OF THE PROGRAM WITH THE LAGGING PRICE
SAFEGUARD FEATURE. WE SEE NO CLEAR FEATURE IN THE PROGRAM
THAT ADEQUATELY TAKES ACCOUNT OF POSSIBLE PRECIPITOUS DECLINE
IN MARKET PRICES. IF OUR ASSUMPTIONS ARE CORRECT AND THEY ARE
OF COURSE SUBJECT TO CLARIFICATION OF THE FOREGOING
QUESTIONS, OUR TASKS HERE WILL BE EXTREMELY DIFFICULT. WE
SUBSCRIBE TO RATIONALE FOR PRESENCE OF US IN MARKET AND
UNDERSTAND LOGIC FOR LONG TERM CONTRACTS, BUT IF OUR CONCERNS
ARE CORRECT, WE WOULD APPRECIATE CONSIDERATION OF SOME
ADJUSTMENTS IN THE PROGRAM SO AS TO MAKE IT MORE ACCEPTABLE TO
PRODUCERS, EASIER FOR US TO DEFEND, AND POSSIBLY EQUALLY AS
EFFECTIVE. IF COTTON CONTRACTS PROBLEM IS STILL WITH US
AT TIME OF CONCLUSION OF CONSULTATIONS, SOME MODIFICATION
OF THE PRESENT TINS SALES PROPOSAL MAY BE DESIRABLE.

STEDMAN

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